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# ***Mindshare A/S***

Antonigade 4, 4, DK-1106 Copenhagen C

## **Annual Report for 1 January - 31 December 2018**

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CVR No 20 59 56 98

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
31/5 2019

Lars Petersen  
Chairman of the General  
Meeting

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Mindshare A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company's operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 20 May 2019

## **Executive Board**

Martin Ove Rasmussen  
Nordic CEO

## **Board of Directors**

Jonas von Barnekow Benzon  
Hemmingsen  
Chairman

Martin Ove Rasmussen

Jens Storkfelt

# Independent Auditor's Report

To the Shareholder of Mindshare A/S

## Opinion

We have audited the Financial Statements of Mindshare A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

## Independent Auditor's Report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# **Independent Auditor's Report**

## **Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Copenhagen, 20 May 2019

**Deloitte**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 96 35 56*

Kim Takata Mücke

State Authorised Public Accountant

mne10944

## Company Information

### **The Company**

Mindshare A/S  
Antonigade 4, 4  
DK-1106 Copenhagen C

Telephone: + 45 70227525  
Facsimile: + 45 31733399  
Website: [www.mindshare.dk](http://www.mindshare.dk)

CVR No: 20 59 56 98  
Financial period: 1 January - 31 December  
Municipality of reg. office: Copenhagen

### **Board of Directors**

Jonas von Barnekow Benzons Hemmingsen, Chairman  
Martin Ove Rasmussen  
Jens Storkfelt

### **Executive Board**

Martin Ove Rasmussen

### **Auditors**

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
DK-2300 Copenhagen S

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	339.146	359.067	361.796	304.975	308.715
Gross profit/loss	32.360	35.081	30.124	28.399	25.777
Operating profit/loss	7.064	5.823	4.607	4.469	2.810
Net financials	-180	-306	-152	-269	11
Net profit/loss for the year	5.398	4.288	3.568	3.089	2.090
<b>Balance sheet</b>					
Balance sheet total	120.055	104.316	99.661	83.096	89.145
Equity	37.295	31.897	27.609	24.041	20.952
<b>Ratios</b>					
Gross margin	9,5%	9,8%	8,3%	9,3%	8,3%
Solvency ratio	31,1%	30,6%	27,7%	28,9%	23,5%
Return on equity	15,6%	14,4%	13,8%	13,7%	10,5%
Net margin	1,6%	1,2%	1,0%	1,0%	0,7%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



# Management's Review

## Core activity

Mindshare is an integrated media and communications agency.

We take responsibility for the entire customer journey and cut through the digital complexity. We help clients turn changes in media, consumer behavior and technology into business opportunities, so they can move their business forward. Our philosophy is adaptive marketing, which is utilizing digital and data to adjust marketing real-time to increase both efficiency and effectiveness.

As an integrated agency, we cover most marketing disciplines under the same roof within the same organization. It saves time, increase speed and flexibility, and enables more holistic solutions. Our clients can either pick from our marketing services buffet or select a fully integrated solution.

Our clients include many of the market's biggest, most demanding advertisers. Mindshare is a global enterprise employing over 7,000 people in 116 cities around the world. We are 100 pct. owned by WPP, the world's leading communications services group. Mindshare is also a part of GroupM, the largest media investment organization both in Denmark and worldwide. This gives us a level of purchasing power, digital, data & analytics services and expertise that no other company can match.

## Business trends and activities

The ad market increased with 2,0 pct. in 2018, almost unchanged vs. the increase in 2017 (+1.8 pct.). As we have seen the last years, budgets are moved from traditional media to more measurable digital media channels (+11,0 pct.) – especially print is overall under huge pressure. Out-of-home media grows 21 pct. driven by the digital development and increase in digital panels.

This structural development is expected to continue in the years to come, however the growth in digital media channels is expected to slow down. The election in 2019 will have a 5-8 pct. positive impact on print budgets (however still expected to decrease 5-10 pct.).

The total increase in digital spend during 2018 was very much driven by web TV and online video together with the opportunities in programmatic buying. When it comes to web TV and online video, the biggest hurdle has been and still is the limited inventory from traditional Danish broadcasters. As broadcasters is increasing their focus in these areas including their play services (increasing no. of Viaplay and especially TV 2 Play households) the online video inventory is increasing significantly. Programmatic trading continues to be a hot topic and increasing – and accounts for more than 80 pct. of total digital investments. Global digital platforms (Youtube, Google and Facebook) still accounts for most of the increase.

Traditional television viewing has decreased significant through 2018 (-10 pct. in persons A. 21-50) primarily due to streaming services (NFLX, HBO etc.), but also due to the sunny weather during summer. Traditional TV viewing is expected to decrease 6-8 pct. YOY from 2019 onwards. consequently, the market is close to sold out during the whole year – and prices are inflated.

## Management's Review

We have seen an increasing focus on brand safety in the digital ecosystem from our clients. The industry has also altogether used many resources in 2018 to reach common understanding and consent regarding GDPR, agreeing on future framework for corporation.

Advertisers are increasingly looking to re-bundle their marketing efforts with fewer partners due to increasing complexity, need for speed and financial pressure. In Denmark 44 pct. of advertisers would now prefer a single agency, where all disciplines are integrated, compared to only 29 pct. in 2015. A major reason being that they need their agencies to be faster and nimbler. But also because that they find a fully integrated agency delivers more value than using more agency partners. E.g. 8 out of 10 advertisers claim to get additional value through more holistic solutions using an integrated agency.

For several years, the Mindshare management have focused on adapting the agency to meet the overall market trends and to secure a leading market position within an industry in upheaval.

This includes continually improving expertise and advisory services and embracing platforms not financed directly by advertising, including the clients' own channels. In addition, the focus on digital and data related marketing disciplines, in collaboration with GroupM, remains undiminished. Since the acquisition of a creative agency and later also adding PR services, Mindshare has expanded its position as the only fully integrated communications and media agency on the market. During 2018 Mindshare became official partner in Denmark with the acclaimed global PR agency network Hill and Knowlton Strategies.

### Achievements and business results

A focused, substantial commitment to marketing for an integrated position has had a positive long-term effect. Mindshare has become one of top 5 most well-known agency brands across all sectors (creative, digital, media) on the Danish market with a 76 pct. brand awareness. The agency has always had a balanced focus on client retention and client acquisition. 90 pct. of clients are satisfied/very satisfied and net promotor scores increased to an all-time high during 2018. The combination of strong market presence and high level of client satisfaction made Mindshare #1 agency in Denmark on net new business value performance in 2018 per global research company COMvergence.

Mindshare achieved many accolades both locally and abroad in 2018: 6 nominations at Danish Digital Awards (DDA) in March, the finals at One Show in New York in April, 4 short lists at Creative Circle Awards in May, 2 nominations at Danish Media Awards (Rambuk) in August and a short list at Advertising Effectiveness Awards (AEA) in October. The variety of disciplines in which Mindshare were acknowledged across creative, media, digital and marketing effectiveness is a true evidence of the agency's integrated position.

The agency continues to deliver y-o-y growth. The operating result improved more than 20 pct. and net profit increased more than 25 pct. This result is a combination of significant contribution from the new integrated strategy and further efficiency in the legacy business. Gross margin is maintained relatively high and Net margin is increased significantly.

# Management's Review

## Adding value for our clients

2018 was a strong year for Mindshare (and our clients).

Through consolidated buying within GroupM we delivered offline savings of a value of + 250 mio. Dkr. across our Danish clients portfolio!

Our clients digital investment showed growth beyond market!

In 2018 our digital investment delivered a growth with more 3,5% point (share of spend) vs an expected market growth at 2,8% point (share of spend).

Especially programmatic, search, social and Web-tv, has been the main driver of this development. We expect this trend to continue in 2019.

## Statement of corporate social responsibility

Mindshare is an international company with a key focus on cooperation and community spirit. We have offices on all continents in both developed and emerging markets, which is why helping disadvantaged people in Denmark and around the world is a natural part of our company values.

We make a substantial donation at the start of the year to the annual 'Danmarksindsamlingen', which has a wide remit and involves many Danish charity and aid organizations. We have chosen to support our client PlanBørnefonden's efforts on several fronts to help children in the world's poorest countries. Every department at Mindshare sponsors a child, and the annual Christmas gifts we give to our customers are donations to a project. We also supported the 'Knæk Cancer' campaign by the Danish Cancer Society.

Apart from financial aid the agency each year donate its unique integrated expertise and resources to a pro-bono campaign to put an important cause on the public agenda: Fair Welcome, Don't label (2015), Dyrenes Beskyttelse, Burgris – Nej tak! (2016/2017), Dove Denmark, Image\_Hack (2017) and latest Constructive Institute, A Global Call for Responsible Journalism (2018/2019). The agency is also part of global Mindshare Day each year on the 1st November, where the entire network of 7,000 employees work together on a brief based on the 17 UN sustainable development goals.

# Management's Review

## Expertise

Mindshare is constantly striving to improve and build its expertise and to impart it to its clients and the market. We collaborate with institutions, teachers and consultants, opinion leaders and experts, and undertake our own research projects, which create further expertise.

One example is 'Reklameanalysen' ('the Advertising Survey'), which has been assessing Danes' attitudes towards advertising since 2005. The analysis has for many years documented the growing irritation with and declining awareness of Danes with traditional advertising, and forms the background for the agency's focus on reforming the industry. Mindshare is also behind the largest and most comprehensive brand survey in Denmark. Since 2002, the 3D analysis has measured more than 1,000 brands in almost 100 different categories. The Danish Mindshare office also developed a unique consumer segmentation model called Milestones, which divides the population in different life stages. The Milestones segments are available in each of the Nordic markets across all planning-/insights tools both offline and online and can even be used in programmatic buying.

Mindshare is thus well equipped with deeper insights into, and unique expertise on, consumers' attitudes and behavior towards brands, media and advertising.

We actively disseminate this unique knowledge via our own media and social platforms. The agency's professional blog with weekly articles had almost 25,000 readers over the course of the year. We also maintain a predominant presence on all the relevant social platforms as compared to competing agencies.

## **Management's Review**

In 2018 we launched our international reputable anti-conference HUDDLE for clients and partners. A massive success with 250 participants and a staggering 98 pct. satisfaction. In addition, Mindshare also organized, together with the other GroupM agencies, Denmark's new and ambitious technology conference NextM, which proved a great success with 1,400 participants. GroupM's dominating position is utilized to establish a new and comprehensive digital training program for the market under the title Digital Campus, with the group's renowned experts as tutors.

The agency's in-house staff are also a major source of valuable expertise. The company's employees are primarily experienced professionals with broad knowledge within media, communications, research, and data business. A dominant proportion of our employees have more than 10 years of experience within their fields. Our new market position and our investments in additional human resources have brought us staff experienced in project management, communications planning, social media, data analytics, business consulting, creative strategy and execution.

It is Mindshare's objective to develop and retain motivated, innovative, and professionally competent employees. We provided a wide range of internal training programs during 2017, which were made available to the vast majority of our employees. Mindshare also continued to support the re-established industry-training course, Hybrid Agency Program. Each year one or more high-performers takes part in the internal global Momentum talent program. A recent survey among students revealed that Mindshare is considered the second most attractive agency to work for.

### **Projected trends**

The market continues to grow at a slow pace. Mindshare has experienced a rate of growth that is significantly higher than the market rate in general. Since 2014 net profit has increased 250 pct. Recent investments in data management, data analytics and data visualization as well as systems and processes to increase efficiency will further improve profitability and integrated communication services (PR, SoMe, Advertising) is projected to double in 2019.

## Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
<b>Revenue</b>		<b>339.146.185</b>	<b>359.066.582</b>
Cost of sales		-281.679.337	-301.150.375
Other external expenses		-25.106.918	-22.835.405
<b>Gross profit/loss</b>		<b>32.359.930</b>	<b>35.080.802</b>
Staff expenses	2	-25.295.938	-29.257.312
<b>Profit/loss before financial income and expenses</b>		<b>7.063.992</b>	<b>5.823.490</b>
Financial income	3	55.483	63.345
Financial expenses	4	-235.872	-369.573
<b>Profit/loss before tax</b>		<b>6.883.603</b>	<b>5.517.262</b>
Tax on profit/loss for the year	5	-1.485.210	-1.229.050
<b>Net profit/loss for the year</b>		<b>5.398.393</b>	<b>4.288.212</b>

## Balance Sheet 31 December

### Assets

	Note	2018 DKK	2017 DKK
Deposits		602.196	594.883
<b>Fixed asset investments</b>	6	<b>602.196</b>	<b>594.883</b>
<b>Fixed assets</b>		<b>602.196</b>	<b>594.883</b>
Trade receivables		37.062.065	39.537.097
Contract work in progress		216.854	470.754
Receivables from group enterprises		80.881.985	61.823.117
Other receivables		803.917	1.327.281
Deferred tax asset	10	36.885	49.179
Corporation tax		0	14.321
Prepayments	7	445.455	492.955
<b>Receivables</b>		<b>119.447.161</b>	<b>103.714.704</b>
<b>Cash at bank and in hand</b>		<b>5.151</b>	<b>6.339</b>
<b>Currents assets</b>		<b>119.452.312</b>	<b>103.721.043</b>
<b>Assets</b>		<b>120.054.508</b>	<b>104.315.926</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		550.000	550.000
Retained earnings		36.745.477	31.347.084
<b>Equity</b>	<b>8</b>	<b>37.295.477</b>	<b>31.897.084</b>
Prepayments received from customers		19.817.081	13.478.406
Trade payables		47.630.627	48.893.320
Payables to group enterprises		6.486.969	1.379.801
Corporation tax		546.938	0
Other payables	11	8.277.416	8.667.315
<b>Short-term debt</b>		<b>82.759.031</b>	<b>72.418.842</b>
<b>Debt</b>		<b>82.759.031</b>	<b>72.418.842</b>
<b>Liabilities and equity</b>		<b>120.054.508</b>	<b>104.315.926</b>
Subsequent events	1		
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Accounting Policies	14		



## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	550.000	31.347.084	31.897.084
Net profit/loss for the year	0	5.398.393	5.398.393
<b>Equity at 31 December</b>	<b>550.000</b>	<b>36.745.477</b>	<b>37.295.477</b>

# Notes to the Financial Statements

## 1 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## 2 Staff expenses

	2018 DKK	2017 DKK
Wages and salaries	23.591.261	27.415.599
Pensions	1.433.364	1.536.918
Other social security expenses	271.313	304.795
	<b>25.295.938</b>	<b>29.257.312</b>
<b>Average number of employees</b>	<b>50</b>	<b>50</b>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act. No remuneration has been paid to the Company's Board of Directors.

The Executive Board and senior officers at Mindshare A/S are included in the WPP Group's share option programme. The programme has been entered with WPP Plc. and Mindshare A/S is not impacted financially.

## 3 Financial income

Interest received from group enterprises	55.483	0
Exchange adjustments	0	63.345
	<b>55.483</b>	<b>63.345</b>

## 4 Financial expenses

Other financial expenses	156.143	289.507
Exchange adjustments, expenses	79.729	80.066
	<b>235.872</b>	<b>369.573</b>

## Notes to the Financial Statements

	2018 DKK	2017 DKK
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	1.521.938	1.212.657
Deferred tax for the year	12.294	16.393
Adjustment of tax concerning previous years	-49.022	0
	<b>1.485.210</b>	<b>1.229.050</b>

## 6 Fixed asset investments

	Deposits DKK
Cost at 1 January	594.883
Additions for the year	7.313
Cost at 31 December	602.196
<b>Carrying amount at 31 December</b>	<b>602.196</b>

## 7 Prepayments

Prepayments comprise prepayments of various subscriptions, rent, water, heating and electricity, etc.

## 8 Equity

The share capital consists of 5,500 shares of a nominal value of DKK 100. No shares carry any special rights.

## 9 Distribution of profit

Retained earnings	5.398.393	4.288.212
	<b>5.398.393</b>	<b>4.288.212</b>

## Notes to the Financial Statements

	2018 DKK	2017 DKK
<b>10 Deferred tax asset</b>		
Deferred tax asset at 1 January	49.179	65.572
Amounts recognised in the income statement for the year	-12.294	-16.393
<b>Deferred tax asset at 31 December</b>	<b>36.885</b>	<b>49.179</b>

## 11 Other payables

Holiday pay obligation	2.578.343	2.954.308
Wages and salaries, personal income taxes, social security costs, etc.	1.284.437	1.983.161
Other debt	4.414.636	3.729.846
	<b>8.277.416</b>	<b>8.667.315</b>

## 12 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

Commitments under rental agreements or leases until expiry	880.797	897.207
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Mindshare A/S has provided a counter-guarantee of DKK 4,000 thousand for the Company's banker. The guarantee is provided towards the Security Fund of the Danish Association of Advertising and Relationship Agencies in order to compensate the Company's obligations in relation to owners of papers and magazines, and a specified group of Danish media owners, respectively.

The Company is part of a Danish joint taxation with WPP Holding Denmark A/S as the administration company. The Company is liable, pursuant to the rules of the Corporation Tax Act from the financial year 2013, for income taxes, etc. for the jointly taxed companies and from 1 July 2012 also for any obligations to withhold tax on interest, royalties and dividends for those companies.

# Notes to the Financial Statements

## 13 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
WPP Holding Denmark A/S	Shareholder

### Transactions

Transactions with related parties are conducted on market terms.

### Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the smallest and largest group:

<u>Name</u>	<u>Place of registered office</u>
WPP Plc.	27 Farm Street, W1J 5RJ, London, England

Consolidated financial statements are available at [www.wpp.com](http://www.wpp.com)

# Notes to the Financial Statements

## 14 Accounting Policies

The Annual Report of Mindshare A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of WPP Plc., the Company has not prepared a cash flow statement.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

### Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Income Statement

### Revenue

Revenue from the sale of media and consultants fees recognised in the income statement when deliveries made to the buyer. Revenue is recognised net of VAT, duties and sales discounts.

Project assignments of longer duration are recognised concurrently with performing the work so that the revenue equals the sales value of the work performed in the financial year (percentage-of-completion method).

### Cost of sales

Cost of sales comprises consumed use of media to achieve the revenue for the year. Cost of sales includes received discounts, etc.

### Other external expenses

Other external expenses comprise expenses for premises, stationery and office supplies, marketing costs and services provided by Group related companies etc. This item also includes write-downs of receivables recognised in current assets.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses including social security contributions, pension contributions etc.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### Financial income and expenses

Other financial income comprises interest income, including interest income on receivables from group enterprises, net foreign exchange gains, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net foreign exchange losses, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with the other WPP Companies in Denmark. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Fixed asset investments

Fixed asset investments consist of deposits.

### Cash pool

The Company is part of a cash-pool scheme with other Danish WPP companies. Consequently, a considerable portion of the Company's bank deposits and debt is included in receivables from and payables to group enterprises, respectively.

### Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.



# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### Contract work in progress

Contract work in progress is measured at the sales value of the work carried out at the balance sheet date.

The sales value is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

For some projects where the consumption of resources cannot be applied as a basis, stage of completion is determined as the ratio between completed and total sub activities of the individual projects.

Each contract in progress is recognised in the balance sheet under receivables or liabilities, depending on whether the net value, calculated as the selling price less on account billings, is positive or negative.

Cost of securing contracts are recognised in the income statement as incurred.

### Prepayments

Prepayments comprise prepaid expenses concerning incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Surcharges under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

### Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods or service agreed.

## Financial Highlights

### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Net margin	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$